
Employees' Retirement Plan

Annual Report 2018

Dear Reader:

Kent District Library maintains a defined benefit pension plan known collectively as the Kent District Library Employees' Retirement Plan. Each year, this plan undergoes review as the Board of Trustees, fund managers, and consultants monitor its performance to ensure future expenses can be met through contributions and investments. This summary (consistent with the requirements of Public Act 347) is made available to the membership as an annual report on the health of the plan. This report, along with minutes from our Pension Board meetings, are posted on our website at kdl.org/about/pension. By visiting the site, retirees and employees can stay informed regarding the status of the plan. Should you have any questions, feel free to email me directly at bmortimore@kdl.org.

Best Regards,



Brian L. Mortimore, SPHR
KDL HR Director and Pension Plan Administrator

Staying Connected

Whether you are an active employee, a deferred retiree, or a retiree, please inform the KDL Human Resources Department of changes to beneficiaries or general contact information at:

Kent District Library
Attn: Pension Plan Administrator
814 West River Center Drive NE
Comstock Park, MI 49321
Phone #: 616-647-4148 | Fax #: 616-647-3818

TRUSTEES

Trustees representing the Kent District Library (KDL) workforce, as elected by their peers, include: Richard Nagel (Network Systems Specialist) and Karen Small (Circulation Manager). Trustees appointed by the KDL Board of Trustees include: Penny Weller and Charles R. Myers (Chairman).

One member of the public is also appointed to the Pension Board. This role is currently filled by retired City of Grand Rapids Pension Plan Administrator Henry T. Vry. Non-voting members by position include: Lance Werner (Library Director) and Brian L. Mortimore (Director of Human Resources & Organizational Development / Pension Plan Administrator).

The Trustees convene a minimum of once per quarter to review investment performance, plan expenses, and to make decisions which support the plan's goal of providing retirement benefits for the retirees of KDL. Trustees also meet throughout the year for various educational and professional development opportunities.



A Note from the Pension Trustees

As Trustees of the Kent District Library Employees' Retirement System, we are proud to serve the members of the Retirement Plan. The Plan was established when KDL became a district library independent of the County, and this Board was created to provide administrative oversight of the Plan.

The Board is composed of both appointed and elected members. Each trustee participates in ongoing educational and instructional sessions to stay current with the many legal requirements of institutional investing, and to ensure the Plan's objectives are met.

We realize the popular press regularly shares stories of troubled organizations that have not fully funded their pension plans. As our audit and actuarial reports show, KDL's Plan is fully funded to meet the benefit needs of current and future retirees.

Our Board meetings primarily focus on dialogue and planning to ensure that our investment strategy will reach its goals. To assist us in our decision making process, we receive advice and guidance from professional consultants. Our meetings are open to all, so we would like to take this opportunity to invite each of you to attend.

We believe your pension benefit is the most important long term benefit of your employment. We want you to understand your options and have the best retirement possible, so please feel free to ask us any questions you may have.

Warmest Regards,
The Trustees of the KDL Employees' Retirement Plan

SERVICE PROVIDERS

The following service providers support the Trustees' in their fiduciary efforts on behalf of the plan:

Plan Accounting	
Beene Garter, LLP <i>Representation: Pamela Fay</i>	56 Grandville Avenue SW, Suite #100 Grand Rapids, MI 49503
Plan Actuary	
Gabriel, Roeder, Smith & Company <i>Representation: Jim Anderson</i>	One Towne Square, Suite #800 Southfield, MI 48076
Plan Attorney	
VanOverBeke, Michaud & Timmony, PC <i>Representation: Thomas Michaud</i>	79 Alfred Street Detroit MI 48201
Plan Auditor	
Maner Costersisan <i>Representation: Zach Skrzyniarz, CPA</i>	2425 East Grand River Avenue, Suite #1 Lansing, MI 48912
Custodial Bank	
Comerica Bank <i>Representation: Michael Wetzel</i>	411 West Lafayette Street, 4 th Floor Detroit, MI 48226
Investment Consultant	
Asset Consulting Group <i>Representation: George Tarlas</i>	231 South Bemiston, 14 th Floor St. Louis, MO 63105
Investment Managers	
Atlanta Capital <i>Representation: James Stafford</i>	1075 Peachtree Street NE, Suite #2100 Atlanta, GA 30309
INTECH / Janus <i>Representation: John Cardinali</i>	525 Okeechobee Blvd., Suite #1800 West Palm Beach, FL 33401
JP Morgan Chase <i>Representation: Wally Theado</i>	10 S. Dearborn Street, 38 th Floor Chicago IL 60603
Lazard Asset Management <i>Representation: Michael Askjaer</i>	30 South Wacker Drive Chicago, IL 60606
Harding Loevner LP <i>Representation: Kristin Burke</i>	400 Crossing Blvd., 4 th Floor Bridgewater, NJ 08807

SUMMARY REPORT OF PLAN OPERATIONS & EXPENSES

The accounting firm of Maner Costerisan completed its audit of KDL's pension plan in the spring of 2018. Management believes, and actuarial studies concur, that the plan is in a solid financial position to meet its future obligations, which can be primarily attributed to: (1) KDL making employer contributions as actuarially recommended, (2) overall performance gains, and (3) the following changes made to the pension plan effective January 1, 2010:

- (a) the plan was closed to newly hired employees;
- (b) the normal retirement age was raised from age 60 to age 62; and
- (c) retirement eligibility after 25 years of service was eliminated (instead, retirement eligibility requires a minimum age of 62).

Revenue sources include employer contributions, member contributions, and earnings on investments. Contributions and investment income for the fiscal year ended December 31, 2017 totaled \$8,103,016. Total member contributions decreased by \$14,850 from 2016 to 2017 due to the plan being closed to new entrants and the reduction of active participants as a result of retirements and terminations. Employer contributions decreased by \$4,065 from 2016 to 2017 reflecting a decrease in enrolled participants. The funding rate changed as follows from 2009 through 2018:

YEAR	RATE
2009	8.89%
2010	10.07%
2011	7.75%
2012	5.28%
2013	0.00%
2014	0.00%
2015	0.00%
2016	0.00%
2017	0.00%
2018	0.00%
2019	0.00%

The primary expenses of the plan include the payment of pension benefits to members and beneficiaries. Payouts (i.e., funds requested by former employees who wish to forego their future pension benefits in favor of a cash payout of their contributions plus interest) coupled with the general administrative costs to run the plan represent the other plan expenses. Total plan expenses in 2017 were \$2,093,014. Of this amount, \$1,872,034 was paid in the form of retirement benefits (an increase of \$160,396 in annual benefit payments over the previous year due to an increase in the number of retirements occurring in 2017). The average annual retirement allowance was \$13,920. There are a total of 159 retirees (or beneficiaries of retirees) with another 39 deferred retirees and 116 active members in the plan. The valuation payroll was \$4,765,699.

The employer's computed normal cost of benefits expressed as a percentage of valuation payroll was 12.12%. The employer's total contribution rate expressed as a percentage of valuation payroll was 0.00%. The weighted average of member contributions was 3.50%. The actuarial assumed rate of investment return was 7%. The actuarial assumed rate of long-term wage inflation was 4.5%.

KDL uses a four-year “smoothing method” (whereby investment gains or losses are applied over a four-year period to avoid sudden changes in funding requirements). Unfunded accrued liabilities are amortized over a 10-year period (as a level-dollar amount) to ensure fiduciary obligations to plan beneficiaries while further ensuring stable funding practices. The actuarial cost method used is “Entry Age Normal Cost” and the plan was closed to new members as of January 1, 2010.

The plan’s total assets as of December 31, 2017 were \$48,590,786 (an increase of \$1,915,369 from the previous year). When considered against the plan’s actuarial valuation and future needs, it was recognized by the auditors that the plan has a 117.5% funding ratio, meaning it has 17.5% more assets than liabilities. Plan assets naturally fluctuate from one year to the next and being slightly over or slightly under-funded from year to year is to be expected. The plan continues to be in good financial condition in accordance with its objectives.

Trustee	Registration	Meal Expense	Mileage	Lodging	Transportation	Total
R. Nagel	\$ 300.00	\$ 0.00	\$ 82.84	\$ 442.20	\$ 0.00	\$ 825.04
K. Small	\$ 750.00	\$ 214.66	\$ 184.19	\$ 993.90	\$ 0.00	\$ 2,142.75
B. Mortimore	\$ 300.00	\$ 10.44	\$ 147.15	\$ 367.80	\$ 0.00	\$ 825.39
C. Myers	\$ 375.00	\$ 53.94	\$ 172.22	\$ 724.50	\$ 0.00	\$ 1,325.66
H. Vry	\$ 450.00	\$ 61.80	\$ 198.31	\$ 810.00	\$ 0.00	\$ 1,520.11
P. Weller	\$ 300.00	\$ 86.41	\$ 266.83	\$ 846.50	\$ 0.00	\$ 1,499.74
Annual Fee	\$ 100.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 100.00
Total Educational Expenses						\$ 8,551.22

TRUSTEE	2018 MEETING COMPENSATION & MILEAGE
C. Myers	\$ 136.88
H. Vry	\$ 137.44
P. Weller	\$ 148.36
TOTAL:	\$ 422.68

2018 SERVICE PROVIDER EXPENSES			
Service Provider	Total	Service Provider	Total
Asset Consulting Group	\$ 50,000.00	Gabriel, Roeder, Smith & Company	\$ 20,500
Beene Garter, LLP	\$ 2,615.00	Maner Costersisan	\$ 5,600
Comerica	\$ 2,500.03	VanOverBeke, Michaud & Timmony, PC	None
JP Morgan	\$ 16,005.99		
GRAND TOTAL SERVICE PROVIDER EXPENSES			\$97,221.02

2019 PROJECTED EXPENSES			
Event	Estimated Cost Per Participant	Estimated # of Participants	Total
Meeting Expenses	\$ 175.00	5	\$ 875.00
Site Visit TBD	\$ 500.00	4	\$ 2,000.00
MAPERS Conferences (Spring & Fall)	\$ 1,750.00	6	\$ 10,500.00
Additional Educational Workshops	\$ 100.00	4	\$ 400.00
PROJECTED TOTAL EXPENSES FOR 2019			\$ 13,775.00

FUND PERFORMANCE ON A ROLLING CALENDAR BASIS				
<i>As of December 31, 2017</i>				
Fund	1 Year	3 Year	5 Year	10 Year
Atlanta Capital	26.10%	16.28%	18.07%	N/A
Brandywine Global	13.33%	3.29%	N/A	N/A
INTECH/Janus	24.07%	11.57%	16.34%	8.94%
JP Morgan Chase	3.89%	2.63%	2.44%	4.92%
Harding Loevner	31.04%	11.36%	N/A	N/A
Lazard Asset Management	29.00%	6.99%	N/A	N/A
Total Portfolio (as of 12/31/17)	18.09%	8.27%	9.65%	7.57%

A Note for Active Employee Members

We would like to take this opportunity to remind the active employee members of an important responsibility upon termination of your employment with KDL. If you should leave prior to being eligible for retirement, but are in fact vested in the Plan, you will be placed on deferred status (meaning your pension benefit will be deferred until you are eligible at age 62 and complete the application for retirement benefits).

If you are in deferred status and approaching the age for normal retirement (i.e., 62), you must complete and submit an application for retirement benefits to the KDL Human Resources Department at least 30 days prior to your 62nd birthday. Note that you can begin to collect your KDL pension at age 62 even if you are working elsewhere. Failure to apply will result in the loss of benefits for each month that passes without the ability to receive retroactive payments. It is important to note that your pension benefit does not grow when you are in deferred status like it does under social security.

Employees interested in reviewing the minutes from the Pension Board meetings are welcome to visit the Pension Board page on the KDL website at www.kdl.org/about/go/pension.